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A Quick-Start Guide for Counsel: How to Use Data Analytics to Predict & Manage Risks

Law Department Management

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Introduction

In today's fast-changing legal landscape, it's crucial to anticipate and minimize potential risks. By harnessing the power of technology and data analytics, in-house counsel can improve predictive capabilities, proactively manage risks, improve case management, and ultimately contribute to their clients' corporate profitability.

This guide provides a practical and effective approach to implementing technology and data analytics in your legal practice. It outlines the steps to gather relevant data, analyze trends, and apply insights, all of which contribute to the broader goals of cost control and efficiency.

Step 1: Gather relevant data

The first step in leveraging data analytics is gathering relevant data. This involves collecting a wide range of information from internal and external sources, including claim history, customer information, market trends, weather patterns, reliable industry reports, litigation filings, and regulatory updates. IoT (Internet of Things), such as sensors, wearables, and other physical devices, can also gather real-time data and provide immediate and deeper insights into potential risk areas.

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Step 2: Analyze data for insights and trends

Once the relevant data is collected, the next step is to analyze the information to identify significant patterns and trends.

Predictive analytic software *(e.g.,* Lex Machina, Judicata, Lexis+ AI, Westlaw Edge), machine learning, regression analysis, and statistical modeling can be used to understand underlying trends and identify patterns that forecast potential risks. For example, trend analysis could uncover seasonal increases in certain types of litigation or highlight operational areas with higher risk profiles.

Step 3: Forecast future risks using trends identified in data analysis

Predictive models, developed using patterns and trends identified from data analysis, can potentially revolutionize your legal practice. These game-changing tools can forecast potential risks and claims, providing a new level of predictive capability that can significantly enhance your services.

Discover potential risks that can help elevate your legal work by conducting predictive data analysis. Summit Art Creations / *Shutterstock.com*

Additionally, predictive analytics can help in-house counsel streamline case assessments, expedite claim settlements, and identify fraudulent claims. For example, automated data models can quickly compare alleged claims against historical data to flag inconsistencies or patterns indicating fraud.

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Step 4: Craft proactive risk management strategies based on predictive analytics

Next, data-driven insights must be applied to manage and mitigate risks actively. Armed with predictive analytics, in-house counsel can craft proactive risk management strategies. These strategies, designed to help companies avoid costly incidents and litigation, can significantly impact client profitability.

For example, data analytics might predict a high likelihood of events such as workplace incidents or forecast the seasonal increases in certain types of claims, allowing in-house counsel to advise clients on potential exposures and recommend adjustments to policies and procedures accordingly.

> Data-driven insights must be applied to manage and mitigate risks actively.

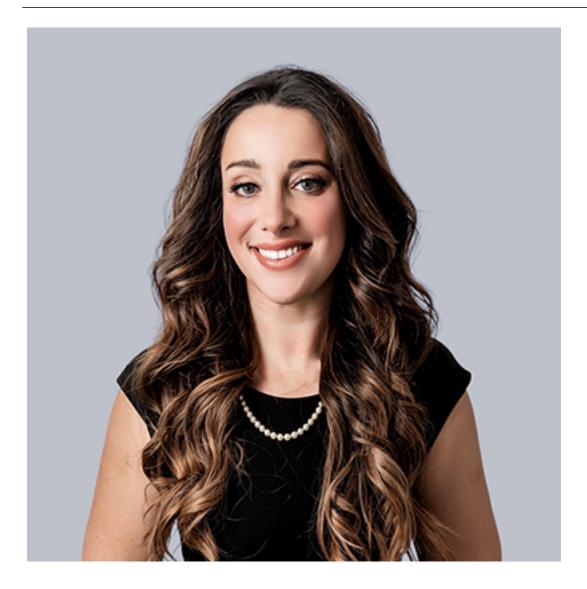## No longer an option, but a necessity

In this era of information, leveraging technology and data analytics in your legal practice is becoming not just an option but a necessity for those seeking success in the legal industry.

By following these steps to gather, analyze, and apply data, in-house counsel can provide more accurate advice, manage cases more effectively, anticipate potential risks, and enhance client profitability.

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Prior to joining SterlingRisk, Sanderowitz was an insurance attorney at an Amlaw 200 law firm, advising domestic and foreign insurers on complex coverage issues and representing insurers in state and federal courts. She was also a judicial extern for Hon. John M. Leventhal in the Supreme Court of New York, Appellate Division, Second Department.

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Admitted to practice law in New York State, the Southern, Eastern, Western, and Northern U.S. District Courts of New York, and the Second U.S. Circuit Court of Appeals, Sanderowitz is also a licensed New York State Property and Casualty Insurance Broker, designated Chartered Property and Casualty Underwriter (CPCU), and designated Associate in Insurance Data Analytics (AIDA).